

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1460 – SB 1626

January 29, 2018

SUMMARY OF ORIGINAL BILL: Authorizes local education agencies (LEAs) to create recovery high schools for certain students with alcohol or drug abuse or dependency. Authorizes LEAs that open recovery schools to enroll eligible students from other LEAs. Authorizes the State Board of Education (SBE) to promulgate operational rules and policies in consultation with the Department of Education (DOE), the Department of Health (DOH), and the Department of Mental Health and Substance Abuse Services (DMHSAS).

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – To the extent any local education agency (LEA), or group of LEAs, elect to create a recovery high school pursuant to this legislation, there will be a permissive one-time increase in local expenditures estimated to exceed \$100,000, if the LEA (or group of LEAs) utilize an existing facility; and estimated to exceed \$1,300,000, if the LEA (or group of LEAs) elect to construct a new recovery high school.

Permissive recurring operational expenses for any new recovery high school could range from not significant to very significant dependent upon the extent to which an LEA (or group of LEAs) re-optimize existing resources and the extent to which they elect to fund any incremental costs.

Significant amounts of recurring Basic Education Program (BEP) funding could shift among LEAs dependent on the extent of student enrollment and the LEAs from which any enrolled students are domiciled. Further, electing LEAs could realize tuition revenue from private individuals to cover part of the cost of attendance, if the per pupil expenditure (PPE) funding transferred from the sending LEA is less than the PPE funding of the receiving LEA. The extent of any BEP funding shifts, as well as the extent of any permissive tuition revenue, is unknown and dependent upon multiple unknown factors.

The fiscal impact of this legislation is permissive to local government; and not significant to state government.

SUMMARY OF AMENDMENT (012120): Deletes and replaces language of the bill without making any substantive changes to the legislation.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- No change in the BEP funding formula.
- Based on information from the SBE, DOE, DOH, and DMHSAS, any impact on departmental operations from the promulgation of operational rules and policies for recovery schools is estimated to be not significant.
- The decision to open a recovery high school is at the discretion of LEAs; therefore, the potential impacts of this legislation are permissive.
- Any LEA which opts to create a recovery high school will re-optimize existing resources to cover any recurring expenditures that will fund the operations of a new recovery high school. Therefore, any recurring increase in local expenditures as a result of this legislation could range from not significant to very significant depending upon the extent to which any LEA is able to utilize existing resources to fund a new recovery high school.
- Based on information from the DOE it is expected that 56 students will attend a recovery high school beginning in FY18-19. Therefore, it is assumed that at least 56 students will attend a recovery high school each year into perpetuity.
- Based on information from the DOE, LEAs may elect to house a recovery high school in existing facilities such as alternative schools where possible; however, the extent to which an individual LEA or group of LEAs is able to do so is unknown.
- If an existing facility is utilized, there will be permissive one-time increases in local expenditures for program development, required equipment, and potentially building improvements or other required school modifications; and permissive recurring increases in local expenditures for specialized staffing and general operations (if existing resources are insufficient for covering any incremental operational expenses an LEA elects to fund).
- The extent and timing of any permissive increases in local expenditures, relative to utilizing an existing facility as a recovery high school, are unknown due to the previously-mentioned factors; however, any permissive one-time increase in local expenditures is reasonably estimated to exceed \$100,000, and any permissive recurring increase in local expenditures cannot be determined because such impacts are dependent upon the extent to which an LEA will re-optimize existing resources and the extent to which an LEA will elect to fund any incremental costs.
- In addition, LEAs may elect to construct a new stand-alone facility for the operation of a recovery high school, the size of which would depend on the number of expected students.
- If a new facility is constructed, there will be permissive one-time increases in local expenditures for program development, architecture design and planning, required equipment, and capital outlay; and permissive recurring increases in local expenditures for specialized staffing, building maintenance, general operations, and debt retirement (if existing resources are insufficient for covering any incremental operational expenses an LEA elects to fund).

- Based on information from the July 2016 BEP Handbook, each high school should require 130 square feet per student at a cost of \$142.37 per square foot.
- To the extent a new facility is constructed, the permissive one-time increase in local expenditures for capital outlay is reasonably estimated to exceed \$1,036,454 (56 students x 130 square feet x \$142.37 per square foot). Including additional one-time costs for program development, architecture design and planning, and required equipment, the total permissive one-time increase in local expenditures is reasonably estimated to exceed \$1,300,000.
- Any permissive recurring increase in local expenditures for specialized staffing, building maintenance, general operations, and debt retirement, relative to a newly-constructed recovery high school, is unknown and cannot be reasonably determined because such impacts are dependent upon the extent to which an LEA will re-optimize existing resources and the extent to an LEA will elect to fund any incremental costs.
- Given that a recovery high school is created and the relevant LEA(s) accept students from outside the LEA into the recovery school, there will be a shift in state and local BEP funds from the sending LEA to the receiving LEA pursuant to Tenn. Code Annotated § 49-6-3104.
- Any per pupil tuition payment will be reduced by funds transferred by the transferring pupil's county of residence pursuant to Tenn. Code Annotated § 49-6-3104.
- Pursuant to Tenn. Code Annotated § 49-6-3003, if a recovery high school is created which accepts out-of-district students, tuition or fees may be charged to students residing outside the relevant LEA, resulting in a permissive increase in local revenue if funds shifted from the sending LEA are less than the PPE for students in the receiving LEA. Due to unknown factors such as the number of students which will be attending a recovery high school from outside the receiving LEA, the extent and timing of any BEP funds shifting from one LEA to another, as well as the extent and timing of any permissive increase in local tuition revenue, these local impacts are unknown and cannot reasonably be determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/maf